

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the matter of:)	
)	
Universal Service Support Mechanism)	
)	
Ex Parte Comments on Proposed Fourth Quarter 2004)	
Universal Service Contribution Factor (DA 04-2976))	
)	

CC Docket No. 96-45

The following comments are submitted in response to the Proposed Fourth Quarter 2004 Universal Service Contribution Factor (DA 04-2976) released by the Wireline Competition Bureau (“Bureau”) on September 16, 2004.

The Alaska State Department of Education and State Library has supplied aid, advice and support to the E-Rate applicants of the state since the beginning of the program. In the first six years of the program, advances in telecommunication usage in our schools and libraries have been extensive. In many of our remote villages, the only broadband access is the E-Rate funded access in the school. Educational programs developed to meet No Child Left Behind standards in inaccessible communities rely on E-Rate funded connectivity. The flow of E-Rate funding has become essential to the provision of education in our state.

Because of our concern for the welfare of the program, we encourage the Commission to review the Bureau’s proposal to apply \$150 million from the collections carried over from previous quarters to lower the projected contribution required for the schools and libraries support mechanism for the upcoming quarter. We believe that reducing contributions at the same time that E-rate funding has been suspended due to a change in accounting standards is inappropriate and will be detrimental to the program. Unless the Commission takes action regarding the projections of demand and the proposed contribution factor by September 30th, the proposal will be deemed approved¹ and \$150 million in needed E-rate funding will be lost.²

¹ If the Commission takes no action regarding the projections of demand and administrative expenses and the proposed contribution factor within the 14-day period following release of this Public Notice (September 16th), they shall be deemed approved by the Commission

² Unless recaptured by future contributions that exceed the \$562.5 million quarterly amount needed to maintain the \$2.25 billion annual funding.

COMMENTS

Effective October 1, 2004, USAC has been directed by the FCC to adopt government accounting standards. The primary effect of this change, as we understand it, is to limit existing and new E-rate commitments to cash on hand. Although cash balances are significant, so too are the remaining commitment liabilities from earlier funding years (and from the first series of waves for FY 2004). As a result, the SLD has suspended the issuance of new Funding Commitment Decision Letters ("FCDLs"). No FCDLs have been issued since August 3rd. The SLD has given no indication as to how much longer the suspension will last.

The current funding suspension is causing severe cash flow problems and/or project delays for many schools in Alaska. Some of these applications have presumably been processed and either approved or denied internally by the SLD, but the applicant cannot be notified whether funding is or will become available. Service providers are understandably reluctant to begin new projects whose funding is uncertain. The educational programs and goals laid out in the approved technology plans are in stasis, awaiting the proposed technology that is supposed to enable their achievement. While some applicants are lucky enough to work with their service providers in good faith that funding will eventually become available, others less sanguine simply have postponed any activity until a funding letter, or the assurance of one, is received. There is a finite time after which introducing a major program change in a school year is more disruptive than helpful. If this suspension continues much longer, we will have reached that point.

Right now, there are schools in Alaska without any Internet connection other than dial-up at long distance speeds and costs because their funding for this year is not assured. A planned interactive video system that would have brought advanced mathematics to a remote village is not even started. Obviously, at least a semester is lost and for graduating seniors, cannot be regained. Schools with plans for delivering speech therapy to students in roadless villages are attempting to find teachers who are willing to travel by small plane in uncertain weather. Districts with plans to connect their teachers to programs to enable them to reach Highly Qualified status as required by No Child Left Behind are scratching for other means to meet those requirements. A district is in jeopardy of losing a large grant which will allow them to install interactive video in every school because E-Rate funding is in suspension and therefore the required connectivity isn't available.

In Bush Alaska, this "indefinite" suspension of funding is undoing the 6 years of appreciation and gratitude built by the advances initiated by E-Rate funded programs. The Commission should be aware that doing nothing *is doing damage*, and not just to the reputation of the program. Districts are accruing debt to provide their students with the basic technology to continue programs already in place to meet educational goals. Because of the size of telecommunications bills in Alaska, if they have bet wrong on whether their funding will eventually be approved, the specter of public agency bankruptcy is very real. The suspension is also generating a disturbing degree of

uncertainty among applicants who should now be preparing for the FY 2005 funding cycle. The proposal to apply the \$150 million carryover in E-Rate funding to lower the proposed contribution factor will only do further damage, both real and perceived. The Commission should spend the full amount of E-Rate funding which it has authorized, if not in one year, than in the next. For a program that already fails to meet demand, anything less would be shameful."

SUMMARY

Unless the Commission has determined that it will lower the funding cap on the yearly program, eventually contributions will have to return to the \$562.5 billion level. Repeated quarters with reduced contributions will make the inevitable normal cycle more difficult to re-establish. Already, funding falls short of the demand made by schools and libraries whose poverty levels do not reach the always-changing magic level for Priority 2 requests.

Presently, over half of the school districts in Alaska have not received any notice on funding for next year. They are told in vague terms that an accounting adjustment is taking place and that funding may be delayed indefinitely. For the Commission to announce at this time that it is reducing the amount set by statute as the level necessarily for replenishing the fund is very difficult for them to understand. If lack of money is a problem, why is the contribution factor being reduced? If there is no lack of money, why aren't funds flowing?

We urge the Commission to review and reverse the proposed E-rate funding reduction before the proposal is deemed automatically approved on September 30th.

Respectfully submitted,

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